

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 AGRE-00 INT-05 /106 W
-----053749 201444Z /47

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FM AMEMBASSY LUSAKA
TO SECSTATE WASHDC 8449

UNCLAS LUSAKA 1783

E.O. 11652: N/A
TAGS: EFIN
SUBJ: ZAMBIA ADJUSTS INTEREST RATES AND CREDIT CEILINGS

1. TO COMPLY WITH THE CONDITIONS IMPOSED IN THE IMF STANDBY
AGREEMENT WITH ZAMBIA, THE GRZ ANNOUNCED THE FOLLOWING INTEREST
RATE CHANGES AND LENDING/BORROWING LIMITS:

A. INTEREST RATES ON SAVINGS ACCOUNTS RAISED FROM SIX TO
SEVEN PERCENT.

B. INTEREST RATE CEILINGS ESTABLISHED FOR AGRICULTURAL LOANS
AT 9.5 PERCENT AND FOR LOANS TO MANUFACTURING SECTOR AT TEN
PERCENT.

C. GOVERNMENT BORROWING FROM LOCAL COMMERCIAL BANKS LIMITED
TO KWACHA 100 MILLION (\$120 MILLION) THROUGH DECEMBER 31,
1978.

D. MINING SECTOR BORROWING FROM LOCAL COMMERCIAL BANKS LIMITED
TO KWACHA 120 MILLION (\$144 MILLION) THROUGH DECEMBER, 1978.

2. THE PURPOSE OF THE ADJUSTMENT IN INTEREST RATES IS TO
ENCOURAGE SAVING, REDUCE CONSUMPTION (DEMAND) AND PROMOTE LOANS TO
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THE AGRICULTURAL SECTOR. THE LENDING LIMITS HAVE BEEN IMPOSED
TO RESTRICT THE MONEY SUPPLY AND REDUCE GOVERNMENT AND MINING
SECTOR DEPENDENCE ON COMMERCIAL BANK BORROWING.
CLINGERMAN

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Message Attributes

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